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April 19, 2011

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Gloria Molina
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Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: Wendy L. Watanabe
Auditor-Controller

A handwritten signature in blue ink that reads "Wendy L. Watanabe".

SUBJECT: **LOS ANGELES URBAN LEAGUE – SOUTH CENTRAL CONTRACT
REVIEW – A COMMUNITY AND SENIOR SERVICES WORKFORCE
INVESTMENT ACT PROGRAM PROVIDER – FISCAL YEAR 2009-10**

We completed a program, fiscal and administrative contract compliance review of Los Angeles Urban League – South Central (LAUL – South Central or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) Formula, American Recovery and Reinvestment Act (ARRA) and Dislocated Worker Governor's Economic Stimulus (Stimulus) Programs provider. The WIA Formula Adult and Dislocated Worker Programs assist individuals in obtaining employment, retaining their jobs and increasing their earnings. The WIA ARRA and Stimulus Programs supplement the WIA Formula Programs.

CSS compensated LAUL – South Central on a cost-reimbursement basis and had contracts totaling \$2,282,843 (\$1,327,749 for Formula, \$927,573 for ARRA and \$27,521 for Stimulus) for Fiscal Year (FY) 2009-10. LAUL – South Central serves participants residing in the Second, Fourth and Fifth Districts.

Results of Review

LAUL – South Central billed CSS \$34,505 in questioned costs. Specifically, LAUL – South Central:

- Billed CSS payroll expenditures based on budget not actual hours worked by program as required by Part B, Section 3.1 of the Auditor-Controller Contract Accounting and Administration Handbook. Questioned costs totaled \$16,570.

LAUL – South Central’s attached response indicates that they will provide CSS with documentation to support their allocation of personnel expenditures and has revised its time management procedures to account for actual hours worked in accordance with their contract.

- Billed CSS \$10,754 in unsupported and/or unallowable FY 2009-10 expenditures. Specifically, the Agency billed \$6,065 in insufficiently documented supportive services expenditures. In addition, LAUL – South Central incorrectly charged \$4,689 to the WIA Stimulus Dislocated Worker Program for WIA ARRA Dislocated Worker Program’s training expenditures which are separate programs.

Subsequent to our review, LAUL – South Central credited CSS on subsequent months’ invoices for \$8,441 of the \$10,754 in questioned costs and agreed to repay CSS the remaining questioned costs of \$2,313.

- Did not maintain adequate documentation to support the eligibility for three (6%) of the 47 participants sampled. Questioned costs totaled \$8,855 for the three ineligible participants.

Subsequent to our review, LAUL – South Central provided additional documentation to support the eligibility of one of the three ineligible participants. In addition, LAUL – South Central indicated in their attached response that CSS concurred with their staff’s decision to enroll the two individuals who were not registered for selective services as required due to special circumstances.

We confirmed with CSS management and the WIA Eligibility Technical Assistance Guide, if contractor staff approves the waiver of selective services registration, the following documentation must appear in the participant case file: (1) selective services status information letter and (2) an applicant statement demonstrating that failure to register was “unknowing and not willful”. However, LAUL – South Central did not provide the required documentation.

- Billed CSS \$3,605 in unallowable FY 2008-09 expenditures.

LAUL – South Central’s attached response indicates that they will repay CSS \$3,605 for the disallowed expenditures.

- Allocated their shared expenditures based on a ratio of new participant enrollments within each program to total new participant enrollments. However, this approach

did not allocate shared expenditures in accordance with the relative benefits received. Questioned costs totaled \$3,162.

LAUL – South Central's attached response indicates that they will reallocate shared cost to all programs based on an equitable basis and refund any excess amounts billed to CSS.

In addition, LAUL – South Central did not always comply with WIA and County contract requirements. For example:

- LAUL – South Central billed CSS a portion of an employee's salary, whose salary exceeded the federal salary threshold, as part of their indirect cost rate.

LAUL – South Central's attached response indicates that they will obtain further guidance from CSS regarding the federal salary threshold.

- LAUL – South Central did not separately track participant data in separate case files for co-enrolled participants for all seven (100%) Stimulus Dislocated Workers sampled as required by WIA Directive WIAADM D09-06.

Subsequent to our review, LAUL – South Central separated the case files for the seven Stimulus Dislocated Workers sampled. However, the case files were incomplete. Specifically, the case files did not contain documentation to support the eligibility of the seven participants as required by WIA Directive WIAADM D09-06.

- LAUL – South Central did not accurately report the participants' program activities, and completion of training on the Job Training Automation (JTA) System for 26 (55%) of the 47 participants sampled.

Subsequent to our review, the Agency updated and/or requested CSS to update the JTA System to accurately reflect the program activities for 25 of the 26 participants.

- LAUL – South Central's inventory listing was inaccurate and incomplete. Specifically, LAUL – South Central did not update their FY 2009-10 inventory listing to exclude four items, totaling \$5,596, that were disposed in June 2009. In addition, the Agency did not report three items purchased during FY 2000-01 through FY 2002-03, totaling \$2,040, on their inventory listing until FY 2009-10.

LAUL – South Central's attached response indicates that they will ensure their physical inventory listing is complete, accurate and contains all the required information.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with LAUL – South Central and CSS on October 29, 2010. LAUL – South Central generally concurred with our findings and recommendations. CSS management indicated that they will resolve disputed findings in accordance with its Resolution Procedures Directive. CSS will request that the contractor provide a Corrective Action Plan which will address the outstanding findings and questioned costs. CSS staff will also review the Corrective Action Plan and will provide technical assistance on an as-needed basis to address programmatic issues.

We thank LAUL – South Central for their cooperation and assistance during our review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:JET:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia D. Banks, Director, Community and Senior Services
Blair H. Taylor, President and Chief Executive Officer, LAUL – South Central
Trevor Ware, Chief Operating Officer, LAUL – South Central
Carl Ballton, Chairperson, LAUL – South Central
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAMS
LOS ANGELES URBAN LEAGUE – SOUTH CENTRAL
FISCAL YEAR 2009-10**

BACKGROUND/PURPOSE

Community and Senior Services (CSS) contracts with Los Angeles Urban League – South Central (LAUL – South Central or Agency), a non-profit corporation to provide and operate the Workforce Investment Act (WIA) Formula, American Recovery and Reinvestment Act (ARRA), and the Dislocated Worker Governor's Economic Stimulus (Stimulus) Programs.

The purpose of our review was to determine whether LAUL – South Central complied with its contract terms and appropriately accounted for and spent WIA funds in providing the services. We interviewed Agency staff and evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

ELIGIBILITY

Objective

Determine whether LAUL – South Central provided services to individuals that met the eligibility requirements of the WIA Formula, ARRA and Stimulus Adult and Dislocated Worker Programs.

Verification

We reviewed the case files for 47 (22%) (ten Formula Adults, ten Formula Dislocated Workers, ten ARRA Adults, ten ARRA Dislocated Workers and seven Stimulus Dislocated Workers) of the 216 participants that received services from July 2009 through April 2010 for documentation to confirm their eligibility for WIA services.

Results

LAUL – South Central did not maintain adequate documentation to support the eligibility for three (6%) of the 47 participants sampled. Specifically, LAUL – South Central did not obtain documentation to support that the participants met the Selective Service or right-to-work requirements as required by WIA Directive WIAAD10-01. At the time of our review, the direct questioned costs totaled \$8,855 for two of the three ineligible participants. There were no direct questioned costs for the remaining ineligible participant. The Agency also may have billed CSS for indirect services provided to the ineligible individuals, such as shared costs.

Subsequent to our review, LAUL – South Central provided additional documentation to support the eligibility of one of the three ineligible participants. There were no direct costs associated with the one participant.

Recommendations

LAUL – South Central management:

- 1. Repay CSS \$8,855 and any other costs associated with providing services to the ineligible participants or provide adequate documentation to support the participants' eligibility.**
- 2. Ensure that staff obtain adequate documentation from the participants to determine their eligibility for program services prior to enrollment.**

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in 47 (22%) participants' case files that received services from July 2009 through April 2010.

Results

LAUL – South Central did not track participant data in separate case files for co-enrolled participants for all seven Stimulus Dislocated Workers sampled as required by WIA Directive WIAADM D09-06. Specifically, the case files for the co-enrolled Stimulus and Formula Dislocated Worker participants did not identify the services provided by program. Subsequent to our review, LAUL – South Central separated the case files for the seven Stimulus Dislocated Workers sampled. However, the case files were incomplete. Specifically, the case files did not contain any documentation to support the eligibility of the seven participants as required by WIA Directive WIAADM D09-06.

In addition, LAUL – South Central did not accurately report the participants' program activities and completion of training on the Job Training Automation (JTA) System for 26 (55%) of the 47 participants sampled. The JTA System is used by the State of California Employment Development Department (EDD) and the Department of Labor (DOL) to track WIA participant activities. A similar finding was also noted during the prior three years' monitoring reviews. Subsequent to our review, the Agency updated

and/or requested CSS to update the JTA System to accurately reflect the program activities for 25 of the 26 participants.

Recommendations

LAUL – South Central management:

- 3. Ensure that participants' program services are separately tracked in separate case files for co-enrolled participants as required.**
- 4. Ensure staff update the Job Training Automation System to accurately reflect the participants' program activities within the established timeframes.**

CASH/REVENUE

Objective

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's bank activity for December 2009, January and February 2010.

Results

LAUL – South Central maintained adequate controls to ensure that cash and revenue were properly recorded and deposited in a timely manner.

Recommendation

None.

COST ALLOCATION PLAN

Objective

Determine whether LAUL – South Central's Cost Allocation Plan was prepared in compliance with the County contract and used to appropriately allocate shared program expenditures.

Verification

We reviewed the Cost Allocation Plan and a sample of expenditures incurred by the Agency in July through September 2009 and January and February 2010 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

LAUL – South Central's Cost Allocation Plan was not in compliance with the County contract and federal guidelines. Specifically:

- LAUL – South Central's method of allocating shared program expenditures did not comply with Attachment A of the Office of Management and Budget (OMB) Circular A-122 and Part C, Section 2.0 of the Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook). Specifically, LAUL – South Central allocated shared expenditures based on a ratio of new participant enrollments within each program to total new participant enrollments. This approach does not allocate shared expenditures in accordance with the relative benefits received. For example, a program that did not have any new participant enrollments during the quarter would not be allocated shared expenditures even though the program had other participant activity, such as case management and job development. Questioned costs totaled \$3,162.
- LAUL – South Central's management did not certify the accuracy of the Plan as required by Part C, Section 2.4 of the A-C Handbook.

Recommendations

LAUL – South Central management:

- 5. Reallocate Fiscal Year (FY) 2009-10 shared program expenditures based on an acceptable allocation methodology and repay CSS for any overbilled amounts.**
- 6. Ensure that the Cost Allocation Plan is prepared in compliance with the County contract.**

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation for 18 non-payroll expenditure transactions billed by the Agency for July, through September 2009 and January and February 2010, totaling \$16,255.

Results

As previously indicated, LAUL – South Central inaccurately allocated their shared expenditures. In addition, LAUL – South Central billed CSS \$10,754 in unsupported and/or unallowable expenditures. Specifically, LAUL – South Central billed \$6,065 in insufficiently documented supportive services expenditures. In addition, LAUL – South Central charged \$4,689 to the WIA Stimulus Dislocated Worker Program for WIA ARRA Dislocated Worker Program's training expenditures.

Subsequent to our review, LAUL – South Central credited CSS \$8,441 of the \$10,754 in questioned costs and agreed to repay CSS the remaining \$2,313.

Recommendations

LAUL – South Central management:

Refer to Recommendations 5 and 6.

- 7. Repay CSS \$2,313 (\$10,754 - \$8,441).**
- 8. Maintain adequate documentation to support the program expenditures.**
- 9. Ensure that expenditures are charged to the appropriate programs.**

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the Agency maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various areas such as expenditures, payroll and personnel.

Results

LAUL – South Central maintained sufficient internal controls over its business operations. However, LAUL – South Central did not develop and implement WIA ARRA policies and procedures as required to:

- Provide priority of services to low income individuals for the WIA ARRA Adult Program as required by WIA ARRA Directive WIA/ARRA ADW D09-03.
- Provide priority of services for veterans as required by WIA ARRA Directive WIA/ARRA ADW D09-04.
- Provide priority of services for mature workers as required by WIA ARRA Directive WIA/ARRA ADW D09-05.
- Coordinate special projects, priorities and initiatives with WIA ARRA Programs as required by WIA ARRA Directive WIA/ARRA ADW D09-07.

Subsequent to our review, LAUL – South Central developed the above WIA ARRA policies and procedures as required.

Recommendation

10. LAUL – South Central management ensure compliance with the WIA ARRA policies and procedures.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether LAUL – South Central's fixed assets and equipment purchases made with WIA funds are used for the WIA Programs and are safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's fixed assets and equipment inventory listing. In addition, we performed an inventory and reviewed the usage of ten items purchased with WIA funds, totaling \$19,243.

Results

LAUL – South Central used the equipment purchased with WIA funds for the WIA Programs. However, the Agency's inventory listing was inaccurate and incomplete. Specifically, LAUL – South Central:

- Did not update their FY 2009-10 inventory listing to exclude four items, totaling \$5,596, that were disposed in June 2009.
- Did not report three items purchased during FY 2000-01 through FY 2002-03, totaling \$2,040, on their inventory listing until FY 2009-10.

Recommendation

11. LAUL – South Central management ensure that the Agency's inventory listing is complete, accurate and kept current.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the WIA Programs. In addition, determine whether the Agency verified employability and maintained current driver's licenses and proof of automobile insurances for the employees assigned to the WIA Programs.

Verification

We traced the payroll expenditures invoiced for five employees totaling \$16,570 for February 2010 to the Agency's payroll records and time reports. We also reviewed the personnel files for five employees assigned to the WIA Programs.

Results

LAUL – South Central billed CSS payroll expenditures based on budget not actual hours worked by program as required by Part B, Section 3.1 of the A-C Handbook for all five employees sampled. Questioned costs totaled \$16,570.

LAUL – South Central also billed CSS a portion of an employee's salary, whose salary exceeded the federal salary threshold, as part of their indirect cost rate. According to DOL Training and Employment Guidance Letter No. 05-06, none of the funds appropriated to the DOL may be used to pay the salary and bonuses of an individual, either as direct costs or indirect costs, at a rate in excess of Executive Level II. For the period reviewed, the total questioned cost was immaterial. However, the total questioned cost for FY 2009-10 and any subsequent years could be material. As such, LAUL – South Central management should recalculate the indirect cost rate, review FY 2009-10 indirect expenditures and repay CSS for any overbilled amounts.

In addition, LAUL – South Central did not maintain copies of the employees' current driver's licenses and/or proof of automobile insurances for two (40%) of the five employees sampled.

Recommendations**LAUL – South Central management:**

12. Repay CSS \$16,570 or provide adequate documentation to support the payroll expenditures.
13. Ensure that payroll expenditures are billed based on actual hours worked and that the time reports indicate the hours worked each day by program as required.
14. Recalculate the indirect cost rate, review FY 2009-10 indirect expenditures and repay CSS for any overbilled amounts.
15. Ensure that salaries billed do not exceed the federal salary threshold.
16. Maintain the personnel files as required.

CLOSE-OUT REVIEW**Objective**

Determine whether the Agency's FY 2008-09 final close-out invoices for the WIA Formula Adult and Dislocated Worker Programs reconciled to the Agency's accounting records. LAUL – South Central did not have WIA ARRA contracts for FY 2008-09.

Verification

We traced LAUL – South Central's accounting records to the Agency's final close-out invoices for FY 2008-09. We also reviewed a sample of expenditures incurred in March, April, May and June 2009.

Results

LAUL – South Central's FY 2008-09 accounting records reconciled to the Agency's final close-out invoices for FY 2008-09. However, LAUL – South Central billed CSS \$3,605 in unallowable expenditures. Specifically, LAUL – South Central billed the WIA Formula Adult and Dislocated Worker Programs \$3,351 in supportive services and training expenditures related to other programs. In addition, LAUL – South Central billed CSS \$254 in unallowable interest expenditures.

Recommendations**LAUL – South Central management:**

Refer to Recommendation 9.

- 17. Repay CSS \$3,605.**
- 18. Request for reimbursement for allowable program expenditures.**



Los Angeles Urban League

Wendy L. Watanabe, Auditor-Controller
Department of Auditor-Controller
Countywide Contract Monitoring Division
350 S. Figueroa Street, 8th Floor
Los Angeles, CA 90071
Attention: Katherine Urbanski

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Re: Los Angeles Urban League South Central 2009-2010 Fiscal Review Response

Recommendation

1. Urban League – Repay CSS \$8,855 and any other costs associated with providing services to the ineligible participants or provide adequate documentation to support the participants' eligibility.

Response

1. Two participants, [REDACTED] and [REDACTED], were not registered with the selective services. The program staff deemed these participants as eligible for the program due to the special circumstances that prevented them from enlisting with the selective services. Yoon Bae, from the Auditors Controllers office, suggests we get approval from CSS; we contacted Irene Pelayo at CSS who concurred with the staff's decision to enroll the participants.

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Recommendation

2. Urban League – Ensure that staff obtains adequate documentation from the participants to determine their eligibility for program services prior to enrollment.

Response

2. Staff has been instructed to get all required documents to prove participant eligibility and if any questions arise get approval from CSS program analysis.

Recommendation

3. Ensure that participants program services are separately tracked in separate case files from co-enrolled participants as required.

Response

3. Staff has been instructed to maintain 2 separate files for any co-enrolled participants and to record in a timely manner any activity a participant may have.

Recommendation

4. Ensure staff updates the Job Training Automation System to accurately reflect the participants program activities within the established timeframes.

Response

4. Effective immediately staff has been updating JTA system in a timely manner to indicate any program activity a participant, participates in.

Recommendation

5. Reallocate Fiscal Year 2009-10 shared program expenditures based on an acceptable allocation methodology and repay CSS for any overbilled amounts.



Response

5. LAUL will reallocate FY2009-2010 shared cost to all programs based on an equitable base and refund any excess amounts billed to CSS.

Recommendation

6. Ensure that the Cost Allocation Plan is prepared in compliance with the County contract.

Response

6. LAUL will review and maintain a Cost Allocation Plan that will comply with the County contract.

Recommendation

7. Repay CSS \$2,313

Response

7. LAUL repay \$2,313 for misallocated supportive service expense.

Recommendation

8. Maintain adequate documentation to support the program expenditures.

Response

8. LAUL will ensure all expenses be documented in accordance with our contract requirements.

Recommendation

9. Ensure that expenditures are charged to the appropriate programs

Response

9. LAUL has increased effectiveness in ensuring expenses are charged to correct program by having entries are reviewed by a second person.

Recommendation

10. South Central management will ensure compliance with WIA ARRA policies procedures.

Response

10. LAUL management has developed ARRA policies and will ensure staff complies with them.

Recommendation

11. South Central management ensures that the Agency's inventory listing is complete, accurate and kept current.

Response

11. LAUL will ensure the physical inventory listing is complete, accurate and contains all the required information.

Recommendation

12. Repay CSS \$16,570 or provide adequate documentation to support the payroll expenditures.

Response

12. LAUL will provide CSS documentation to support our allocation of personnel expenses. LAUL has revised its time management procedures to account for actual hours worked in accordance with contract fiscal responsibilities.

Recommendation

13. Ensure that payroll expenditures are billed based on actual hour worked and that the time reports indicate the hours worked each day by program as required.

Response

13. LAUL has revised our Time Management Policy to show time worked by day and by program.

Recommendation

14. Recalculate the Indirect Cost Rate, review FY 2009-2010 indirect expenditures and repay CSS for any overbilled amounts.

Response

14. LAUL has determined it has sufficient indirect expenditures on the contract to absorb the IDC revenue earned.

Recommendation

15. Ensure that salaries billed do not exceed the federal salary threshold.

Response

15. LAUL has adhere to the federal salary threshold and will obtain further guidance from CSS regarding this matter

Recommendation

16. Maintain the personnel files are required

Response

16. All personnel files will be reviewed frequently to ensure all required documents are up to date and present in employee files

Recommendation

17. Repay CSS \$3,605

Response

17. LAUL agree to repay CSS \$3,605 for disallowed expenses

Recommendation

18. Request for reimbursement for allowable program expenditures.

Response

18. LAUL will review expenses to ensure they meet contract guidelines for an allowable program expense.



Kyla Lee
VP of Finance